

TESTIMONY OF AUSTIN A. ANDERSEN,
INTERIM INSPECTOR GENERAL, BEFORE THE D.C. COUNCIL
COMMITTEE ON GOVERNMENT OPERATIONS
FISCAL YEAR 2003 PERFORMANCE REVIEW

FEBRUARY 24, 2004

GOOD AFTERNOON CHAIRMAN ORANGE AND MEMBERS OF THE COMMITTEE. SEATED WITH ME ARE WILLIAM DIVELLO, THE ASSISTANT IG FOR THE AUDIT DIVISION; ROBERT ANDARY, ASSISTANT IG FOR THE INVESTIGATIONS DIVISION; ALVIN WRIGHT, JR., ASSISTANT IG FOR THE INSPECTIONS AND EVALUATIONS DIVISION; AND SUSAN KENNEDY, ACTING DIRECTOR OF THE MEDICAID FRAUD CONTROL UNIT (MFCU).

I AM PLEASED TO TESTIFY AT THIS PERFORMANCE HEARING, WHICH COVERS OUR OFFICE'S STATISTICAL REPORTING OF ACCOMPLISHMENTS IN FY 2003 AND THE FIRST QUARTER OF FY 2004. BEFORE DISCUSSING OUR INDIVIDUAL PERFORMANCE MEASURES AND ACCOMPLISHMENTS, I WOULD LIKE TO COMMENT BRIEFLY ON A SIGNIFICANT FORM OF EXTERNAL EVALUATION OF THE PERFORMANCE AND QUALIFICATIONS OF INSPECTOR GENERAL OFFICES – PEER REVIEWS.

PEER REVIEWS

IN APRIL 2000, WITH THE PASSAGE OF THE OFFICE OF THE INSPECTOR GENERAL POWERS AND DUTIES AMENDMENT ACT OF 1999, THE COUNCIL AMENDED THE IG'S ENABLING STATUTE TO REQUIRE THE IG TO COMPLY WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS AND TO ESTABLISH PERIODIC PEER REVIEWS FOR THE AUDIT, INVESTIGATIONS, AND INSPECTION DIVISIONS.

THESE REVIEWS, BASED ON FEDERAL MODELS, MUST BE CONDUCTED BY INDIVIDUALS WHO ARE INDEPENDENT OF OUR OFFICE BUT WHO WORK IN SIMILARLY SITUATED PROFESSIONAL ENVIRONMENTS. TO ACCOMPLISH AUDIT PEER REVIEWS OF FEDERAL INSPECTORS GENERAL, THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) PROVIDES FOR EACH OF THE INSPECTOR GENERAL AUDIT ORGANIZATIONS TO HAVE A ROUND-ROBIN OF PEER REVIEWS EVERY 3 YEARS.

ON FEBRUARY 27, 2003, OUR AUDIT DIVISION RECEIVED AN UNQUALIFIED OPINION FROM THE NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS (NALGA), WHICH IS IDENTIFIED IN THE GOVERNMENT AUDITING STANDARDS, 1994 REVISION, AS ONE OF THE PROFESSIONAL ORGANIZATIONS THAT MEET THE REQUIREMENTS FOR PERFORMING OUR PEER REVIEW.

AT PRESENT, FEDERAL IGs ARE JUST BEGINNING TO DEVELOP PEER REVIEWS FOR THEIR INVESTIGATIVE AND INSPECTIONS STAFFS. BECAUSE NEITHER FEDERAL NOR STATE OR LOCAL IGs HAD EVER ACTUALLY CONDUCTED PEER REVIEWS FOR INVESTIGATIVE OR INSPECTION DIVISION OPERATIONS WITHIN AN IG's OFFICE, IT WAS NECESSARY FOR US TO CREATE A FIRST OF ITS KIND PEER REVIEW.

WE WORKED WITH THE ASSOCIATION OF INSPECTORS GENERAL TO DEVELOP STANDARDS BASED ON PCIE DRAFT VERSIONS OF PEER REVIEWS FOR INVESTIGATION AND INSPECTION DIVISIONS OF FEDERAL IGs. SUBSEQUENTLY, THE INSPECTOR GENERAL OF THE CITY OF PHILADELPHIA AND HIS STAFF CONDUCTED A PEER REVIEW OF OUR INSPECTIONS DIVISION AND, TO OUR KNOWLEDGE, THE FIRST EVER PEER REVIEW OF ANY INVESTIGATIONS DIVISION, FEDERAL OR LOCAL. IN APRIL 2003, WE RECEIVED PEER REVIEW CERTIFICATION THAT OUR

STANDARDS, POLICIES, PROCEDURES, OPERATIONS, AND QUALITY CONTROLS ARE IN ACCORDANCE WITH PCIE STANDARDS.

THE MFCU IS SUBJECT TO FEDERAL OVERSIGHT THAT IS ANALAGOUS TO A PEER REVIEW. THE UNIT IS ONE OF 48 CERTIFIED MEDICAID FRAUD CONTROL UNITS NATIONWIDE THAT RECEIVES 75 PERCENT OF ITS FUNDING IN THE FORM OF A GRANT FROM THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES. IN ORDER TO REMAIN ELIGIBLE FOR THESE YEARLY GRANTS, THE UNIT MUST CONFORM TO A NUMBER OF FEDERAL REQUIREMENTS DESCRIBED IN THE CODE OF FEDERAL REGULATIONS. IN ADDITION TO COMPLYING WITH ALL MANDATORY FEDERAL STANDARDS, THE UNIT MUST PROVIDE QUARTERLY AND ANNUAL STATISTICAL REPORTS DEMONSTRATING ITS CONTINUED PRODUCTIVITY AND A SIGNIFICANT RETURN ON THE INVESTMENT OF FEDERAL AND DISTRICT TAX DOLLARS.

PERFORMANCE MEASURES – SUMMARY

EACH OF THE FOUR DIVISIONS THAT COMPRISE THE OFFICE OF THE INSPECTOR GENERAL (OIG) HAS A SEPARATE SET OF PERFORMANCE MEASURES THAT RELATE TO THE WAYS IN WHICH OUR WORK SUPPORTS CITYWIDE STRATEGIC PRIORITIES. LAST WEEK WE PROVIDED YOU WITH THE TARGET FOR EACH PERFORMANCE MEASURE AND ACTUAL ACCOMPLISHMENTS FOR FY 2003 AND FOR THE FIRST QUARTER OF FY 2004.

A REVIEW OF THE STATISTICS FOR THE MEDICAID FRAUD CONTROL UNIT, THE AUDIT DIVISION, AND THE INSPECTIONS DIVISION REVEALS THAT WE MET OR SIGNIFICANTLY EXCEEDED NEARLY ALL MAJOR PERFORMANCE TARGETS. SOME OF THE RESULTS ARE EXCEPTIONAL – THE MFCU EXCEEDED ITS DOLLAR RECOVERY TARGET OF \$2.5 MILLION BY NEARLY

\$10 MILLION DOLLARS IN FY 2003, AND THE AUDIT DIVISION EXCEEDED ITS FIRST QUARTER FY 2004 TARGET OF \$6.3 MILLION FOR POTENTIAL MONETARY BENEFITS BY OVER \$30 MILLION.

OUR INVESTIGATIONS DIVISION EXCELLED IN SOME MEASURES BUT DID NOT MEET TARGETS IN OTHERS. IN DISCUSSING PERFORMANCE MEASURES FOR INVESTIGATIONS, IT IS IMPORTANT TO REMEMBER THE INHERENT DIFFICULTY IN MEASURING THE PERFORMANCE OF A DIVISION THAT, MORE THAN ANY OIG COMPONENT, IS DEPENDENT ON THE QUANTITY AND TYPE OF ALLEGATIONS IT RECEIVES DURING THE FISCAL YEAR. BEING MOSTLY REACTIVE, THE INVESTIGATIONS DIVISION DOES NOT DETERMINE IN ADVANCE THE TYPES OF CASES IT WILL HAVE TO ADDRESS. IN ADDITION, WE ARE REQUIRED BY LAW TO REFER ALL POTENTIAL CRIMINAL VIOLATIONS TO THE U.S. ATTORNEY'S OFFICE (USAO), WHICH THEN HAS CONSIDERABLE CONTROL OVER THE RESOURCES INVESTED INTO CASES ACCEPTED FOR CRIMINAL PROSECUTION.

RECOGNIZING THAT THE PERFORMANCE MEASURES FOR THE INVESTIGATIONS DIVISION ARE CLOSELY TIED TO FACTORS BEYOND ITS CONTROL, WE HAVE ELIMINATED 4 OF THE DIVISION'S PERFORMANCE MEASURES FOR THE NEXT FISCAL YEAR, REDUCING THE PERFORMANCE MEASURES FROM 11 TO 7. WE WILL CONTINUE TO EXAMINE THE OPERATIONS OF THE DIVISION FOR WORKABLE MEASURES OF ITS PERFORMANCE.

I WILL NOW ADDRESS THE ACCOMPLISHMENTS AND IMPACT OF EACH OF OUR DIVISIONS.

AUDIT DIVISION

AUDITS PERFORMED BY THE OIG INCLUDE BOTH PERFORMANCE AND FINANCIAL AUDITS. PERFORMANCE AUDITS ARE SYSTEMATIC EVALUATIONS OF FUNCTIONS, PROGRAMS, AND ACTIVITIES. THE PURPOSES OF THESE AUDITS ARE TO IMPROVE ACCOUNTABILITY AND TO FACILITATE EFFECTIVE DECISION MAKING. FINANCIAL AUDITS ASSESS WHETHER THE FINANCIAL STATEMENTS OF AN ENTITY FAIRLY PRESENT THE FINANCIAL POSITION OF THAT ENTITY IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. IN ADDITION, THE AUDIT DIVISION OVERSEES CERTAIN AUDITS, PERFORMED BY CONTRACTORS, OF DISTRICT GOVERNMENT AGENCIES, PROGRAMS, AND OPERATIONS, SUCH AS THE COMPREHENSIVE ANNUAL FINANCIAL REPORT.

IN ORDER TO MEASURE OUR PERFORMANCE AGAINST OUR GOALS, WE CURRENTLY REPORT ON THE NUMBER OF REPORTS ISSUED, THE ASSOCIATED POTENTIAL MONETARY BENEFITS FOR THE AUDIT REPORTS ISSUED, DISTRICT AGENCY COVERAGE, AND THE NUMBER OF RECOMMENDATIONS IMPLEMENTED. THE MEASURES RELATE TO OUR MISSION OF PERFORMING AUDITS; PROMOTING ECONOMY, EFFICIENCY, AND EFFECTIVENESS; AND KEEPING THE MAYOR AND COUNCIL INFORMED OF PROBLEMS FACING THE DISTRICT. WE INITIATED AUDITS VIA SPECIAL REQUESTS, OUR PLANNING PROCESS, OR REQUIREMENTS SET BY LAW.

FOR FY 2003, WE ISSUED 37 AUDIT REPORTS WITH POTENTIAL MONETARY BENEFITS OF \$48.6 MILLION. THESE BENEFITS COMPARED TO AUDIT DIVISION COSTS OF ABOUT \$2.7 MILLION, MAKING THE RETURN ON INVESTMENT FOR AUDITS PERFORMED BY OIG AUDIT STAFF TO BE APPROXIMATELY \$18 FOR EACH DOLLAR INVESTED.

WE ARE ALSO PLEASED THAT MANY OF OUR AUDIT REPORTS AND MUCH OF OUR AUDIT WORK HAVE BEEN RECOGNIZED AND PUBLISHED IN NEWSLETTERS OF NATIONAL PROFESSIONAL ORGANIZATIONS, SUCH AS THE ASSOCIATION OF INSPECTORS GENERAL AND THE NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS. ONE REPORT DEALING WITH OUR AUDIT OF THE FORFEITURES OF THE 401(A) DEFINED CONTRIBUTION PENSION PLAN IS BEING CONSIDERED FOR A NATIONAL AWARD, THE KNIGHTON AWARD, WHICH IS AN ANNUAL AWARD PRESENTED BY THE NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS.

OUR AUDITS YIELDED MONETARY AND NONMONETARY BENEFITS. THE MAJORITY OF THE BENEFITS REPORTED IN FY 2003 AND THE FIRST QUARTER OF FY 2004 RESULTED FROM AUDITS INITIATED THROUGH THE PLANNING PROCESS. EXAMPLES OF SUCH MONETARY BENEFITS ARE AS FOLLOWS:

- WE REPORTED POTENTIAL MONETARY BENEFITS FOR OUR AUDIT OF THE CHILD SUPPORT ENFORCEMENT SYSTEM, WHERE WE FOUND THAT THE CHILD SUPPORT ENFORCEMENT DIVISION PAID A CONTRACTOR APPROXIMATELY \$4 MILLION FOR COMMUNICATIONS SALARY COSTS AND DIRECT AND INDIRECT NETWORK MAINTENANCE SALARY COSTS, ALTHOUGH THE CONTRACTOR DID NOT PROVIDE THOSE PERSONNEL REQUIRED BY THE CONTRACT.
- IN AN AUDIT OF SOFTWARE LICENSING, WE FOUND THAT THE CITY WAS AT RISK OF HAVING TO PAY \$8.6 MILLION FOR USING UNLICENSED SOFTWARE.
- IN REVIEWING THE SUPPORT FOR A HOPE VI CONSTRUCTION PROJECT, OIG AUDITORS FOUND \$14.6 MILLION IN UNSUPPORTED

OR QUESTIONABLE COSTS PAID TO BUILDING CONTRACTORS.

- DURING OUR AUDIT AT THE DEPARTMENT OF HEALTH (DOH), WE REPORTED THAT DOH ALLIANCE ENROLLEES WERE NOT PROPERLY SCREENED FOR PROGRAM ELIGIBILITY. AS A RESULT, WE FOUND THAT ALL ENROLLEES WHO APPEARED TO BE ELIGIBLE FOR MEDICAID WERE NOT REFERRED FOR MEDICAID SCREENING AS REQUIRED BY THE CONTRACT. WE ALSO FOUND THAT APPROXIMATELY \$289,000 IN MEDICAL CHARGES WERE INCURRED BY ALLIANCE MEMBERS WHO WERE ACTUALLY COVERED BY OTHER INSURANCE, AND ABOUT 2,600 ALLIANCE MEMBERS WERE ENROLLED USING INVALID SOCIAL SECURITY NUMBERS. FORTY OF THOSE INVALID NUMBERS MATCHED THE SOCIAL SECURITY NUMBERS OF DECEASED INDIVIDUALS.

NOT ALL AUDITS FOCUSED ON MONETARY ISSUES - SOME AUDITS ADDRESSED THE NEEDS OF OUR MORE VULNERABLE POPULATIONS. FOR EXAMPLE, ONE AUDIT ADDRESSED OVERSIGHT RESPONSIBILITIES FOR THE REPORTING OF UNUSUAL INCIDENTS INVOLVING SAFETY AT THE DEPARTMENT OF MENTAL HEALTH (DMH). MORE THAN 500 UNUSUAL INCIDENT REPORTS WERE SENT TO THE DMH FROM SEVERAL SOURCES. REPORTS INCLUDED INCIDENTS SUCH AS SUICIDES, PATIENT ABUSE, SEXUAL ASSAULTS, DEATHS FROM SPECIFIED AND UNSPECIFIED CAUSES, AND MANY OTHER TYPES OF INCIDENTS. WE FOUND MANAGEMENT NEEDED TO IMPROVE ITS INVESTIGATIVE PROCESSES TO ENSURE SUFFICIENT CORRECTIVE ACTIONS WERE TAKEN TO BETTER PROTECT THIS VULNERABLE POPULATION.

THE COMPTROLLER GENERAL'S GOVERNMENT AUDITING STANDARDS EMPHASIZE THE IMPORTANCE OF FOLLOW-UP ON SIGNIFICANT FINDINGS AND RECOMMENDATIONS FROM PRIOR AUDITS TO DETERMINE IF CORRECTIVE ACTIONS HAVE BEEN IMPLEMENTED. IN THIS REGARD, WE

ADDED A PERFORMANCE MEASURE TO TRACK THE PERCENTAGE OF AUDIT RECOMMENDATIONS IMPLEMENTED. WE BELIEVE STRONGLY THAT THIS WILL BE A VALID MEASURE OF OUR WORTH BECAUSE IT IS AN OUTCOME MEASURE. WE PLAN TO CONDUCT THIS COMPLIANCE REVIEW EVERY 3 YEARS, AND THE NEXT REVIEW IS SCHEDULED TO BE COMPLETED IN FY 2005.

THE OIG HAS PLAYED AND CONTINUES TO PLAY A ROLE IN ASSISTING DISTRICT MANAGEMENT ADDRESS AREAS OF RISK. AS SUCH, WE HAVE DEVELOPED FIVE STRATEGIC THEMES IN OUR AUDIT PLAN THAT WILL GOVERN OUR OPERATIONS, HELP US ACHIEVE OUR MANDATED MISSION, AND FURTHER THE MAYOR'S STRATEGIC INITIATIVES. THESE THEMES ARE:

- I. REVENUE ENHANCEMENT
- II. SPENDING AND EFFICIENT USE OF RESOURCES
- III. DELIVERY OF CITIZEN SERVICES
- IV. SUPPORT SERVICES
- V. AUDITS REQUIRED BY LAW

ADDITIONALLY, THE AUDIT DIVISION WILL CONTINUE TO PROVIDE OVERSIGHT OF AUDITING SERVICES PROVIDED BY EXTERNAL FIRMS IN CASES WHERE THE OIG IS THE CONTRACTING OFFICER.

AS YOU KNOW, WE WILL SOON EXECUTE THE FOURTH AND LAST OPTION OF OUR CONTRACT WITH THE ACCOUNTING FIRM OF KPMG LLP, TO PERFORM A FINANCIAL STATEMENT AUDIT FOR THE DISTRICT'S FY 2004 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). THE FY 2003 AUDIT RENDERED AN UNQUALIFIED OPINION, MEANING THAT THE DISTRICT'S GENERAL PURPOSE FINANCIAL STATEMENTS WERE FAIRLY PRESENTED IN

ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. WITH THE ISSUANCE OF THE FY 2003 CAFR, THE CITY HAS RECEIVED ITS SEVENTH CONSECUTIVE UNQUALIFIED OPINION ON ITS FINANCIAL STATEMENTS.

WE HAVE BEGUN PROCUREMENT PLANNING AND PREPARATION TO ISSUE A REQUEST FOR PROPOSAL (RFP) FOR THE SOLICITATION OF BIDS FOR THE NEXT CAFR CONTRACT. WE PLAN TO ISSUE THE RFP IN THE FIRST QUARTER OF FY 2005.

AS CHAIR OF THE CAFR OVERSIGHT COMMITTEE, WE CONTINUE TO OVERSEE PROGRESS OF THE AUDIT AND TO ADDRESS ANY ISSUES THAT MAY ARISE OR MAY PREVENT THE AUDIT FROM BEING COMPLETED ON TIME.

INVESTIGATIONS DIVISION

EACH YEAR WE RECEIVE FAR MORE COMPLAINTS AND ALLEGATIONS THAN OUR RESOURCES PERMIT US TO ADDRESS. A TOTAL OF 401 NEW INVESTIGATIVE COMPLAINTS WERE RECEIVED DURING FY 2003. OF THOSE 401 MATTERS, 128 WERE OPENED AS FORMAL INVESTIGATIONS, 168 WERE REFERRED TO AGENCY HEADS FOR ACTION, AND 105 WERE CLOSED WITHOUT FURTHER ACTION. DURING FY 2003 THE INVESTIGATIONS DIVISION CLOSED 290 INVESTIGATIONS AND REFERRALS. AT THE START OF THE CURRENT FISCAL YEAR, THERE WERE 163 INVESTIGATIONS PENDING IN THE DIVISION.

THE INVESTIGATIONS DIVISION MAINTAINS A HOTLINE THAT RECEIVES THOUSANDS OF CALLS EVERY YEAR. HOWEVER, NOT ALL CALLS REQUIRE FOLLOW-UP ACTION. WE RECEIVED A TOTAL OF 133 CALLS ON

THE HOTLINE DURING FY 2003 THAT REQUIRED FURTHER ACTION BY THE INVESTIGATIONS DIVISION OR OTHER UNITS WITHIN THE OIG.

CRIMINAL INVESTIGATIONS

IN FY 2003, THE INVESTIGATIONS DIVISION REFERRED 59 CASES TO THE USAO FOR POSSIBLE PROSECUTION. OF THESE CASES, 42 WERE ACCEPTED FOR FURTHER INVESTIGATION, AND 17 CASES WERE DECLINED FOR PROSECUTION. IN ADDITION, NINE CASES WERE PRESENTED TO THE OFFICE OF CORPORATION COUNSEL (OCC) FOR PROSECUTION UNDER LAWS WITHIN OCC'S JURISDICTION. THE INVESTIGATIONS CONDUCTED BY OIG SPECIAL AGENTS (ALONE OR IN COOPERATION WITH OTHER LAW ENFORCEMENT AGENCIES) RESULTED IN 8 CONVICTIONS AND A TOTAL OF \$350,317 IN RESTITUTION, FINES, AND RECOVERIES IN FY 2003.

THE INVESTIGATIONS DIVISION CONTINUES TO BE HEAVILY INVOLVED IN CRIMINAL INVESTIGATIONS IN COOPERATION WITH THE USAO. IN FY 2004, TWO CONVICTIONS HAVE RESULTED FROM THESE INVESTIGATIONS. TWO MORE DEFENDANTS HAVE BEEN FOUND GUILTY AND ARE AWAITING SENTENCING. IN ADDITION, SEVERAL INVESTIGATORS ARE WORKING ALMOST FULL-TIME ON PENDING PROSECUTIONS. IN FY 2004, THESE CASES RESULTED IN THE EXECUTION OF SIX SEARCH WARRANTS AND THE ARRESTS OF FOUR SUBJECTS. TO DATE IN FY 2004, WE HAVE SERVED 33 SUBPOENAS IN OUR CASES AND RECENTLY EXECUTED A SEARCH WARRANT IN A CASE WE ARE INVESTIGATING WITH AN IG'S OFFICE FROM A FEDERAL AGENCY. PLEA AGREEMENTS ARE CURRENTLY BEING NEGOTIATED WITH DEFENDANTS IN SEVEN OF OUR CASES.

REFERRAL PROGRAM

ANOTHER IMPORTANT COMPONENT OF OUR EFFORTS TO DETER FRAUD, WASTE, AND ABUSE IS OUR REFERRAL PROGRAM, BY WHICH WE REFER

ADMINISTRATIVE MATTERS TO OTHER DEPARTMENTS AND AGENCIES THAT CAN BEST ADDRESS THESE MATTERS. IN FY 2003 THE OIG REFERRED A TOTAL OF 168 MATTERS TO 33 DISTRICT AGENCIES. IN MOST CASES, THE OIG MONITORS THE RESPONSES TO THESE REFERRALS TO ENSURE THAT THE MATTERS ARE HANDLED APPROPRIATELY. THE FOCUS OF THE REFERRAL PROGRAM IS TO HOLD AGENCY HEADS ACCOUNTABLE FOR ADDRESSING ALLEGED MISMANAGEMENT AND INEFFICIENCY WITHIN THEIR AGENCIES.

FOR EXAMPLE, WE REFERRED TO THE DEPARTMENT OF HUMAN SERVICES AN ALLEGATION THAT AN EMPLOYEE HAD FALSELY CLAIMED A GRADUATE DEGREE ON HIS EMPLOYMENT APPLICATION. THE AGENCY'S REVIEW SHOWED THAT, ALTHOUGH A MASTER'S DEGREE IS NOT A REQUIREMENT OF THE POSITION, THE SUBJECT HAD FALSELY CLAIMED TO POSSESS ONE. CONSEQUENTLY, THE EMPLOYEE WAS TERMINATED.

IN ANOTHER CASE, WE REFERRED TO THE DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS AN ALLEGATION THAT TWO EMPLOYEES ROUTINELY PARKED IN AN AGENCY VEHICLE OUTSIDE A PRIVATE RESIDENCE AROUND LUNCHTIME FOR SEVERAL HOURS. THE AGENCY'S REVIEW RESULTED IN THE TERMINATION OF THE EMPLOYEE WHO WAS ASSIGNED THE VEHICLE AND A 30-DAY UNPAID SUSPENSION AND DEMOTION FOR THE OTHER EMPLOYEE.

INSPECTIONS AND EVALUATIONS DIVISION

OUR INSPECTIONS AND EVALUATIONS DIVISION (I&E) PROVIDES HIGHLY DETAILED EVALUATIONS OF THE MANAGEMENT AND KEY OPERATIONS OF DISTRICT AGENCIES. I&E FOCUSES PARTICULARLY ON THOSE AGENCIES WITH CRITICAL SERVICE DELIVERY RESPONSIBILITIES AND

THOSE IN WHICH SIGNIFICANT PROBLEMS COME TO THE ATTENTION OF THE MAYOR, THE COUNCIL, AND OTHER STAKEHOLDERS.

INSPECTION PERFORMANCE MEASURES

IN FY 2003, I&E INSPECTED OR RE-INSPECTED SIX KEY COMPONENTS IN THE DEPARTMENT OF HEALTH (DOH); INSPECTED THE OFFICE OF THE CHIEF MEDICAL EXAMINER (OCME); AND RE-INSPECTED THE DEPARTMENT OF MOTOR VEHICLES (DMV) AND THE DISTRICT'S VEHICLE INSPECTION STATION. THE EIGHT REPORTS PRODUCED DURING FY 2003 AS A RESULT OF THESE INSPECTIONS CONTAIN 85 FINDINGS AND 130 RECOMMENDATIONS. THE MAJORITY OF OUR RECOMMENDATIONS WERE ACCEPTED AND AGREED TO BY THE INSPECTED AGENCIES.

AS WITH MOST OIG ACTIVITIES, THE GOAL OF THESE INSPECTIONS WAS TO ASSIST AGENCY HEADS IN IDENTIFYING AND FINDING SOLUTIONS TO MANAGERIAL, OPERATIONAL, AND ADMINISTRATIVE PROBLEMS THAT PREVENT THE FULL AND EFFECTIVE PERFORMANCE LEVELS EXPECTED BY THE MAYOR, THE COUNCIL, AND THE PUBLIC. FOR EXAMPLE, IN OUR LONG AND COMPLEX INSPECTION OF DOH, WE NOTED THAT PRIVATELY-RUN SUBSTANCE ABUSE TREATMENT FACILITIES WERE OPERATING WITHOUT CERTIFICATION AND WERE NOT BEING PENALIZED; THERE WERE NO ACCURATE STATISTICS REGARDING THE EFFECTIVENESS OF TREATMENT PROGRAMS AND FACILITIES; THERE WERE SIGNIFICANT DELAYS IN THE DRAWDOWN OF FEDERAL GRANT FUNDS, RESULTING IN LOSS OF SOME FUNDS; THE CITY'S \$400,000 STATE HEALTH PLAN HAD NOT BEEN RELEASED YEARS AFTER ITS COMPLETION; AND THERE WAS NO STRATEGIC PLAN FOR PROVIDING EMERGENCY MEDICAL SERVICES DURING A CATASTROPHIC EVENT. OUR RE-INSPECTION OF THE DOH MEDICAL ASSISTANCE ADMINISTRATION (MAA) FOUND THAT MAA STILL HAD NO POLICIES AND PROCEDURES FOR HANDLING OVERPAYMENTS TO PROVIDERS; TRAINING IN DETECTION OF FRAUD AND

ABUSE BY PROVIDERS AND PATIENTS REMAINED INSUFFICIENT; AND THERE WERE FEW POLICIES AND PROCEDURES GOVERNING MAA'S DAILY OPERATIONS.

OUR RE-INSPECTION OF DMV FOUND SIGNIFICANT IMPROVEMENTS IN THE QUALITY OF THE DMV MANAGEMENT TEAM, AND IN A NUMBER OF OPERATIONAL AREAS, INCLUDING POLICIES AND PROCEDURES, CONTRACTOR OVERSIGHT, AND EFFICIENCY IN VEHICLE INSPECTIONS. WE FOUND THAT DEFICIENCIES REMAIN IN SOME AREAS, BUT THE AGENCY HAS COMPLIED WITH A MAJORITY OF OIG RECOMMENDATIONS.

OUR INSPECTION OF THE OCME DEMONSTRATED THE VALUE OF OUR ABILITY TO PROVIDE TIMELY, THOROUGH ASSESSMENTS OF GOVERNMENT OPERATIONS THAT STAKEHOLDERS (INCLUDING D.C. GOVERNMENT EMPLOYEES) AND THE PUBLIC MAY PERCEIVE AS AT RISK. WE FOUND THAT LONG-STANDING OPERATIONAL AND PERSONNEL MANAGEMENT PROBLEMS HAD REMAINED UNRESOLVED FOR MANY YEARS DESPITE OCME'S RECEIPT OF FULL SUPPORT OF BOTH THE MAYOR AND THIS COUNCIL. THE INSPECTION UNCOVERED A SIGNIFICANT BACKLOG OF AUTOPSY REPORTS, UNSANITARY STORAGE OF BODIES, INADEQUATE AUTOPSY PROCEDURES, A LACK OF WRITTEN POLICIES AND PROCEDURES, AND EXTREMELY LOW EMPLOYEE MORALE, INCLUDING THAT OF SENIOR STAFF. THE INSPECTION TEAM MADE 74 RECOMMENDATIONS FOR IMPROVING OCME OPERATIONS AND, AS YOU KNOW, THE CHIEF MEDICAL EXAMINER RESIGNED FOLLOWING THE PUBLICATION OF OUR REPORT AND CRITICAL ASSESSMENTS BY OTHER DISTRICT OFFICIALS. I&E WILL RE-INSPECT OCME AT AN APPROPRIATE TIME TO ASSESS ITS COMPLIANCE WITH OIG RECOMMENDATIONS AND THE DEGREE OF IMPROVEMENT IN MANAGEMENT, OPERATIONS, AND EMPLOYEE MORALE.

STATUS OF CURRENT ACTIVITIES

CURRENTLY, I&E IS CONDUCTING A COMPREHENSIVE INSPECTION OF THE YOUTH SERVICES ADMINISTRATION, WITH A PARTICULAR FOCUS ON THE OPERATION OF THE OAK HILL YOUTH CENTER (OAK HILL) IN LAUREL, MARYLAND. WE HAVE ISSUED A NUMBER OF MANAGEMENT ALERT REPORTS TO THE DEPARTMENT OF HUMAN SERVICES ON PROBLEMS AT OAK HILL THAT WE BELIEVE REQUIRE IMMEDIATE ATTENTION. I&E ALSO WILL EVALUATE THE OPERATION OF YSA'S GROUP HOMES FOR JUVENILES, AND THE ISSUES SURROUNDING YSA'S CONTINUING PROBLEMS IN COMPLYING WITH COURT ORDERS TO IMPROVE ITS JUVENILE JUSTICE ACTIVITIES.

WE HAVE SCHEDULED RE-INSPECTIONS OF ALL THREE ADMINISTRATIONS OF THE DEPARTMENT OF PUBLIC WORKS AND THE DEPARTMENT OF PARKS AND RECREATION. WE ALSO HAVE SCHEDULED OUR FIRST INSPECTION OF THE DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS, WHICH WE PLAN TO COMPLETE BY SEPTEMBER 2004.

MEDICAID FRAUD CONTROL UNIT

FY 2003 MARKED THE FOURTH YEAR OF EXISTENCE FOR THE MEDICAID FRAUD CONTROL UNIT, THE NEWEST OF THE 4 DIVISIONS WITHIN THE OIG. THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES CERTIFIED THE UNIT ON MARCH 1, 2000. SEVENTY-FIVE PERCENT OF THE COST OF OPERATING THE UNIT IS FEDERALLY FUNDED, WITH DISTRICT FUNDS PAYING THE REMAINING PORTION.

THE UNIT'S MISSION IS TO INVESTIGATE AND PROSECUTE CASES OF FRAUD AND ABUSE WITHIN THE DISTRICT'S MEDICAID PROGRAM. IN FY 2003, THE MFCU WAS CREDITED WITH RECOVERIES OF MORE THAN \$13 MILLION, HALF OF WHICH WAS RETURNED TO THE DISTRICT OF

COLUMBIA TREASURY. THIS REPRESENTS A RETURN OF APPROXIMATELY 18 DOLLARS TO THE DISTRICT TREASURY FOR EACH DOLLAR INVESTED.

WE ALSO ANTICIPATE SUBSTANTIAL RECOVERIES IN FY 2004, AS SEVERAL PENDING MATTERS ARE CURRENTLY AT THE USAO AWAITING PROSECUTION, AND NUMEROUS ON-GOING INVESTIGATIVE MATTERS ARE AT A POINT WHERE RESOLUTION IS IMMINENT. IN FACT, THE MFCU HAS ALREADY RECOUPED MORE THAN \$1 MILLION SINCE THE START OF FISCAL YEAR 2004.

THE MFCU CONCENTRATES MUCH OF ITS RESOURCES ON FINANCIAL FRAUD AGAINST THE MEDICAID PROGRAM. A SECOND IMPORTANT AREA IS THE ABUSE OR NEGLECT OF PERSONS IN MEDICAID-FUNDED FACILITIES, SUCH AS NURSING HOMES, GROUP HOMES, AND BOARD AND CARE FACILITIES.

ACCORDINGLY, ONE MFCU PERFORMANCE MEASURE CAPTURES THE NUMBER OF FRAUD CASES INITIATED, AND ANOTHER DEALS WITH REPORTS OF UNUSUAL INCIDENTS RESULTING IN INJURY OR ILLNESS TO A WARD OR RESIDENT OF A NURSING HOME, COMMUNITY RESIDENCE FACILITY, OR GROUP HOME FOR PERSONS WITH MENTAL RETARDATION. COMPLEMENTING THESE ARE ADDITIONAL MEASURES THAT TRACK MFCU REPORTS AND THE AMOUNT OF FUNDS RECOVERED, INCLUDING DAMAGES ASSESSED, PENALTIES IMPOSED, AND OVERPAYMENTS RECOUPED.

FRAUD CASES INITIATED

CURRENTLY, WE HAVE APPROXIMATELY 60 FRAUD CASES, INCLUDING 27 MATTERS THAT WERE OPENED DURING FY 2003. THESE INVOLVE ALLEGATIONS OF FRAUD RELATING TO A RANGE OF HEALTH CARE PROVIDERS, FROM INSTITUTIONS TO SOLO PRACTITIONERS.

INVESTIGATIONS CAN LEAD TO THE FILING OF CRIMINAL, CIVIL, AND/OR ADMINISTRATIVE CHARGES. IN FACT, WHERE APPROPRIATE, WE CONSIDER THE POSSIBILITY OF SIMULTANEOUSLY WORKING A CASE ON PARALLEL CRIMINAL, CIVIL, AND/OR ADMINISTRATIVE TRACKS. IN THIS WAY, WE CAN OBTAIN THE POWERFUL DETERRENT EFFECT THAT COMES WITH CRIMINAL CONVICTIONS AND ALSO MAXIMIZE OUR POTENTIAL FOR RECOVERING FUNDS TAKEN FROM THE MEDICAID PROGRAM.

RECOVERED FUNDS

AS NOTED, ONE OF THE MFCU's KEY ACHIEVEMENTS IN FY 2003 WAS THE RECOVERY OF MORE THAN \$13 MILLION FROM FIRST HEALTH SERVICES, INC. (FH) AS REIMBURSEMENT FOR FUNDS LOST DUE TO THE FILING OF FALSE CLAIMS WITH THE MEDICAID PROGRAM. TO THE BEST OF OUR KNOWLEDGE, THIS CASE REPRESENTS THE FIRST RECOVERY BY A MFCU FROM A CLAIM PROCESSOR FOR THE RECKLESS PROCESSING OF MEDICAID CLAIMS. IT WAS A GOUNDBREAKING DEMONSTRATION OF TEAMWORK AND PARTNERSHIP BETWEEN THE DISTRICT AND FEDERAL GOVERNMENTS, AS THE MFCU WORKED CLOSELY WITH THE USAO TO RECOUP FUNDS LOST TO THE DISTRICT.

A VERY IMPORTANT ASPECT OF THE UNIT'S INVOLVEMENT IN NATIONAL HEALTH CARE FRAUD ACTIVITIES IS OUR PARTICIPATION IN GLOBAL SETTLEMENTS. ON OCCASION, HEALTH CARE PROVIDERS ENGAGE IN SIMILAR FRAUDULENT ACTIVITIES AND SCHEMES IN MULTIPLE STATES. THE UNIT HAS JOINED WITH THE NATIONAL ASSOCIATION OF MFCUs TO INVESTIGATE AND RESOLVE CASES OF THIS NATURE. THE USE OF MULTI-STATE TEAMS REPRESENTING THE INTERESTS OF ALL AGGRIEVED STATES ALLOWS THE DISTRICT TO RECOUP MONIES WITHOUT EACH STATE DUPLICATING THE EFFORTS OF THE OTHERS.

THIS PROGRAM IS GATHERING MOMENTUM QUICKLY. IN FY 2003, THE UNIT RECOVERED OVER \$45,000 AS A RESULT OF GLOBAL SETTLEMENTS. AS STATED PREVIOUSLY, IN FY 2004, WE HAVE ALREADY RECOUPED MORE THAN \$1.2 MILLION IN FUNDS FOR THE DISTRICT AS THE RESULT OF GLOBAL SETTLEMENTS.

JUST LAST MONTH, WE PARTICIPATED IN TWO MAJOR SETTLEMENTS IN WHICH TWO OF THE WORLD'S LARGEST DRUG COMPANIES AGREED TO SETTLE ALLEGATIONS THAT THEY HAD FAILED TO PROVIDE MEDICAID WITH THE BEST PRICE FOR DRUGS, AS REQUIRED UNDER MEDICAID PRICING RULES. THESE GLOBAL SETTLEMENTS ARE A GOOD EXAMPLE OF THE SORT OF OPPORTUNITIES THAT WERE LOST TO THE DISTRICT GOVERNMENT BEFORE THE MFCU WAS CREATED.

UNUSUAL INCIDENTS

ANOTHER VITAL ASPECT OF THE UNIT IS THE WORK DONE IN THE AREA OF PATIENT ABUSE AND NEGLECT. LIKE MANY OTHER STATISTICS, THOSE FOR UNUSUAL INCIDENTS PROVED DIFFICULT TO PREDICT. FOR EXAMPLE, IN FY 2002, WE ADDRESSED 816 UNUSUAL INCIDENTS. THIS WAS IN EXCESS OF THE 600 TARGETED AND WAS LARGELY A RESULT OF NEW LEGISLATION PASSED BY THIS COUNCIL. FOR FY 2003, WE RECEIVED REPORTS OF 973 UNUSUAL INCIDENTS, COMPARED TO THE TARGET OF 600.

ABUSE CASES INITIATED

AS A RESULT OF THESE INCIDENT REPORTS, 23 NEW ABUSE CASES WERE INITIATED IN 2003, 3 MORE THAN OUR PERFORMANCE MEASURE TARGET.

IN FY 2003, THE MFCU OBTAINED THE INVOLUNTARY MANSLAUGHTER CONVICTION OF KEISHA HOLMES, A CAREGIVER IN TWO DISTRICT OF COLUMBIA NURSING HOMES. HER RECKLESS INDIFFERENCE TO THE SAFETY OF A PERSON IN HER CARE RESULTED IN THE DROWNING OF AN

ELDERLY PERSON LEFT UNATTENDED IN A TUB FILLED WITH RUNNING WATER.

IN ANOTHER ABUSE CASE, LIONEL HERRING, A CAREGIVER IN A GROUP HOME FOR MENTALLY RETARDED CITIZENS, WAS PROSECUTED FOR SEXUALLY ABUSING ONE OF THE RESIDENTS IN HIS CARE. HERRING PLEADED GUILTY IN D.C. SUPERIOR COURT AND WAS SENTENCED ON JANUARY 2, 2004.

YET ANOTHER ASPECT OF THE MFCU'S EFFORTS TO COMBAT ABUSE OF VULNERABLE PERSONS IS THE INVESTIGATION AND PROSECUTION OF FINANCIAL ABUSE AND EXPLOITATION MATTERS. THE CASE OF UNITED STATES v. JANICE WILKINS ILLUSTRATES HOW OUR INCREASING PRESENCE IN THIS AREA IS FILLING A LAW ENFORCEMENT VOID BY DETECTING AND PUNISHING CRIMES AGAINST OUR MOST VULNERABLE DISTRICT CITIZENS. WILKINS STOLE SOCIAL SECURITY CHECKS FROM ELDERLY RESIDENTS OF THE NURSING HOME WHERE SHE WORKED AS A SECURITY GUARD. FOLLOWING A JOINT INVESTIGATION CONDUCTED BY THE MFCU, ALONG WITH THE SOCIAL SECURITY ADMINISTRATION AND UNITED STATES POSTAL SERVICE OFFICES OF INSPECTORS GENERAL, WILKINS PLEADED GUILTY TO TWO COUNTS OF FELONY THEFT. SHE WAS SENTENCED ON JULY 1, 2003, TO JAIL TIME, PROBATION, AND IS REQUIRED TO MAKE RESTITUION FOR THE STOLEN CHECKS.

AS WITH ALL DEFENDANTS CONVICTED OF A CRIME AGAINST A MEDICAID RECIPIENT, HOLMES, HERRING, AND WILKINS HAVE BEEN EXCLUDED FROM WORKING IN ANY FACILTY, PROGRAM, OR ENTITY NATIONWIDE WHICH RECEIVES FEDERAL DOLLARS.

MATTERS ACCEPTED FOR PROSECUTION

ANOTHER PERFORMANCE MEASURE IN WHICH WE HAVE MET OUR GOAL INVOLVES THE NUMBER OF MATTERS ACCEPTED FOR PROSECUTION. WE WORK CLOSELY WITH THE UNITED STATES ATTORNEY'S OFFICE AND INTERACT WITH THAT OFFICE ON A DAILY BASIS. EARLIER THIS MONTH, A GROUP HOME CAREGIVER WAS ARRESTED AND WILL BE TRIED ON FIVE COUNTS OF ABUSE OF VULNERABLE ADULTS AS A RESULT OF INTENSE INVESTIGATION BY THE MFCU TEAM. ANOTHER ABUSE CASE IS SCHEDULED FOR TRIAL LATER THIS WEEK.

OUTREACH EFFORTS

IN ADDITION TO INITIATING CASES, THE UNIT HAS ENGAGED IN ANTI-FRAUD EDUCATIONAL AND OUTREACH PRESENTATIONS IN THE PRIVATE SECTOR. WE HAVE SPOKEN TO HEALTH-CARE INDUSTRY AND SENIOR CITIZEN GROUPS THROUGHOUT THE DISTRICT TO INTRODUCE OUR UNIT, MAKE FORMAL PRESENTATIONS, AND ANSWER QUESTIONS. MOREOVER, WE WORK CLOSELY WITH INDUSTRY GROUPS ON PROBLEMS OF MUTUAL CONCERN.

WE HAVE RECENTLY BEGUN SEVERAL INITIATIVES AS A RESULT OF ONE INVESTIGATION RELATED TO DIVERSION OF ADDICTIVE DRUGS BY MEDICAL PROVIDERS. THESE INITIATIVES ARE TARGETED AT PHARMACIES, MEDICAL PRACTITIONERS, AND OTHERS WHO USE THEIR ACCESS TO DRUGS TO DISTRIBUTE UNLAWFULLY. MANY OF THESE DRUGS ARE PURCHASED USING MEDICAID DOLLARS. AS SUCH, THE RESIDENTS OF THE DISTRICT OF COLUMBIA MAY PAY TWICE FOR THIS PROBLEM—THROUGH HIGHER MEDICAID COSTS AND THE ADDED BURDEN OF INCREASED ADDICTION RATES.

CONCLUSION

BEFORE CONCLUDING MY REMARKS, I WOULD LIKE TO MAKE A SHORT STATEMENT CONCERNING THE TRANSITION PERIOD DURING WHICH OUR OFFICE IS AWAITING THE SELECTION AND APPROVAL BY THE MAYOR AND THE COUNCIL OF THE NEXT IG. AS YOU KNOW, I AM NOT UNDER CONSIDERATION FOR THE PERMANENT POSITION OF INSPECTOR GENERAL, BUT I AM GREATLY HONORED TO BE ENTRUSTED ON A TEMPORARY BASIS WITH THE LEADERSHIP OF A HIGHLY DEDICATED AND TALENTED STAFF.

WHILE I AM PROUD OF THE ACCOMPLISHMENTS OF THIS OFFICE, I BELIEVE THAT WE MUST CONTINUOUSLY SEARCH FOR WAYS TO BECOME MORE EFFECTIVE AND HELPFUL, NOT ONLY TO THE EXECUTIVE BRANCH AND ITS AGENCIES, BUT TO THE COUNCIL AS WELL. IN THAT REGARD, I WOULD LIKE TO FIND WAYS TO INCREASE THE FLOW OF INFORMATION BETWEEN THE COUNCIL AND THE OIG BY PROVIDING MORE INFORMATION ABOUT PLANNED AND PENDING AUDITS AND INSPECTIONS. ONE WAY TO DO THAT IS TO NOTIFY YOU AND OTHER COUNCIL MEMBERS WHEN AUDITS AND INSPECTIONS START. BY SHARING WITH YOU THE SCOPE AND TIMING OF THESE REVIEWS, YOU MAY PROVIDE US WITH INPUT CONCERNING YOUR AREAS OF INTEREST.

AN INSPECTOR GENERAL'S OFFICE THAT IS EXPERIENCED AND WATCHFUL CAN PROVIDE MEANINGFUL INSIGHTS INTO THE CHALLENGES FACING THE DISTRICT GOVERNMENT. WE NOW HAVE A SEASONED STAFF OF INVESTIGATORS, AUDITORS, INSPECTORS, AND PROSECUTORS WHO FORM A ROBUST FORCE FOR CHANGE AND IMPROVEMENT. THEY WILL CONTINUE TO MAKE A SIGNIFICANT DIFFERENCE TO THE DISTRICT GOVERNMENT AND ITS CITIZENS BY SURFACING ISSUES OF CONCERN AND MAKING RECOMMENDATIONS FOR CORRECTIONS.

THIS CONCLUDES MY TESTIMONY, AND I WILL RESPOND TO QUESTIONS
AT THIS TIME.